

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Rail Safety and Carriers Division

RESOLUTION TL-18988

February 21, 2002

RESOLUTION

RESOLUTION CANCELING THE AUTHORITY GRANTED TO
PASSENGER STAGE CORPORATIONS TO ADJUST THEIR FARES
WITHOUT SPECIFIC APPROVAL OF THE COMMISSION

SUMMARY

This resolution cancels the authority previously granted to passenger stage corporations (PSCs) to adjust their fares without specific Commission authorization in response to higher fuel prices. PSCs are ordered to cancel any surcharges or fare increases in effect under this special authority within 20 days.

BACKGROUND

By Resolution TL-18904, dated October 21, 1999, we authorized all PSCs for a 180-day period to file tariffs with fares that are within a “zone of reasonableness” whose upper limit is 15% above their current fares.¹ This action was taken in response to the significant increases in fuel prices that had occurred in California. We wanted PSCs to be able to obtain needed revenue to offset these higher fuel prices with minimum regulatory burden. Without this special authority carriers would have had to individually formally apply to the Commission for either a fare increase or a zone of rate freedom (ZORF). The authority granted by Resolution TL-18904 was extended three times, by Resolutions TL-18923 (March 16, 2000), TL-18943 (October 5, 2000) and TL-18973 (September 20, 2001). It is scheduled to expire October 15, 2002, unless earlier modified or canceled by the Commission.

¹ For carriers holding a zone of rate freedom (ZORF) the upper limit was 15% above the highest fares allowed under the ZORF.

DISCUSSION

Fuel prices began to climb in early 1999, and by April reached a level generally 30 to 45 percent above prices in effect at the beginning of the year. Prices dropped in early summer, but then began another climb, leading us to grant PSCs the authority to adjust fares in October 1999. Between then and the most recent extension of that authority by Resolution TL-18973 in September 2001, fuel prices remained well above their January 1999 level.

When we initially granted the authority to adjust fares, we noted that carriers are not all impacted to the same degree by changes in fuel prices. The type and grade of fuel used and the place of purchase affect price. Such things as the kind and size of vehicles operated and the road and traffic conditions encountered impact the amount of fuel consumed. In authorizing all carriers to increase their fares we were responding to the sudden jump in statewide average fuel prices, without regard to an individual carrier's own experience.

In Resolution TL-18973 we stated that the authority to adjust fares would be canceled or modified if warranted by changes in fuel prices. Statewide average fuel prices continue to be the measure we will use to examine whether there is a need to maintain a special fare increase authority for all carriers.

Not long after we issued Resolution TL-18973, fuel prices began to fall. The following table shows the statewide average prices per gallon for gasoline and diesel fuel at the beginning of 1999, at the times we issued the resolutions granting and extending the authority to increase fares, and in mid-January 2002.

	1/4/99	10/21/99 (TL-18904)	3/16/00 (TL-18923)	10/5/00 (TL-18943)	9/20/01 (TL-18973)	1/14/02
G²	\$1.347	\$1.592	\$1.931	\$2.037	\$1.873	\$1.385
D³	\$1.114	\$1.389	\$1.550	\$1.898	\$1.685	\$1.275

Gasoline prices are now close to the level they were at the start of 1999. Diesel fuel prices are substantially below the peak levels they reached in late 2000.

² Average statewide retail price for premium gasoline. Source: US Department of Energy.

³ Average on-highway retail price for diesel fuel. Source: US Department of Energy.

Such factors as supply, demand, and the inflation rate affect fuel prices. There is no certainty that the existing favorable conditions contributing to current relative price stability will not change. However, it is clear that the exceptional circumstances which caused us originally to grant the authority to increase fares in October 1999 are no longer present. We therefore find that the authority to adjust fares without specific approval of the Commission should be canceled.

PSCs will be given 20 days from the effective date of this resolution to cancel any surcharges or fare increases that are currently in effect under the authority of Resolution TL-18973. We note that many PSCs already hold individually approved ZORFs under Public Utilities (Pub. Util.) Code § 454.2. Those carriers may continue to exercise the fare flexibility their ZORFs provide.

COMMENTS ON DRAFT RESOLUTION

To comply with Pub. Util. Code § 311(g), the Rail Safety and Carriers Division commenced publication of a Daily Calendar notice on January 22, 2002, that apprised the public of the availability of its draft of this resolution and solicited comments by February 12, 2002. No comments were received.

FINDINGS

1. Sudden and significant increases in gasoline and diesel fuel prices occurred in California in 1999.
2. A number of PSCs would have been unable to recover fuel cost increases without additional Commission authority.
3. By Resolution TL-18904, dated October 21, 1999, we authorized all PSCs for a 180-day period to file tariffs with fare adjustments within a “zone of reasonableness” that had an upper limit of 15% above their current fares or their authorized ZORF.
4. The authority granted by Resolution TL-18904 was extended three times, by Resolutions TL-18923, TL-18943, and TL-18973. It is scheduled to expire October 15, 2002, unless earlier modified or canceled by the Commission.

5. In resolution TL-18973 we stated that the authority to adjust fares would be canceled or modified if warranted by changes in fuel prices.
6. Prices of gasoline and diesel fuel have fallen significantly from the levels they reached in 1999 and 2000.
7. The authority granted to PSCs to adjust fares within a zone of reasonableness is no longer necessary and should be canceled.
8. PSCs who currently have surcharges or increased fares on file and in effect under authority of Resolution TL-18973 should be required to cancel those increases effective no later than 20 days after the effective date of this resolution.

THEREFORE, IT IS ORDERED that:

1. The authority granted by Resolution TL-18904, and extended by Resolutions TL-18923, TL-18943, and TL-18973, permitting passenger stage corporations (PSCs) to file tariffs with fares that are within a “zone of reasonableness,” is canceled effective 20 days after the effective date of this resolution.
2. PSCs who currently have surcharges or increased fares on file and in effect under authority of Resolution TL-18973 shall file a tariff amendment canceling those increases, to be effective no later than 20 days after the effective date of this resolution.
3. Tariff filings pursuant to this order may be made effective upon one day’s notice (one day after filing with the Commission).
4. The Rail Safety and Carriers Division is authorized to cancel any tariff filing that it finds has not been canceled as required by Ordering Paragraph 2.
5. The Executive Director shall cause a copy of this resolution to be served on every passenger stage corporation holding a certificate from the Commission.

This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted by the Commission at its regularly scheduled meeting on February 21, 2002. The following Commissioners voted favorably thereon:

/s/ WESLEY M. FRANKLIN

WESLEY M. FRANKLIN

Executive Director

LORETTA M. LYNCH

President

HENRY M. DUQUE

RICHARD A. BILAS

CARL W. WOOD

GEOFFREY F. BROWN

Commissioners